

# The Influence of Earnings Management and Tax Planning on Firm Value with Audit Quality as Moderating Variable

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## Abstract

This study aimed to analyze the influence of Earnings Management and Tax Planning on Firm Value with Audit Quality as a moderating variable. With purposive sampling method obtained data from 481 manufacturing firms in Indonesia are taken from the Indonesia Stock Exchange 2013-2017 period. Using multiple regression and moderation analysis found that the Earnings Management have a positive influence on Firm Value and Tax Planning as well as the effect on Firm Value. As a moderating variable, Audit Quality weaken the influence of Earnings Management on Firm Value significantly but not significantly weaken the influence of Tax Planning on Firm Value.

**Keywords:** Firm Value, Earnings Management, Tax Planning, Audit Quality

**JEL Classification:** G32, H21, M42

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## 1. Introduction

In its function as an agent, management tries to show the best performance to fit the owners' purpose though in reality may be there personal objectives behind policies that may not be consistent with the investors' purpose (Jensen and Mackling, 1976) except with the good managerial ownership (Murwaningsari & Rachmawati, 2017). In addition to the main purpose of the principle and the agent, the firm value is a common purpose give the positive effects for the company. Firm value imaged of good by the public by some ways, one of them is by the information contained in the financial statements and public positive reaction on such information.

As a person carry the responsibility to the investor, the management has the assignment to provide the profit that investors get satisfaction in the form of dividends (Amiram & Frank, 2016). With that variety of motivation, various methods are used by the management to make firm value still glowing in the public. Earnings Management and Tax Planning is partly of that methods with purpose for the public to give a positive firm value.

Earnings management is an activity carried out by management in managing the company's profits to appear "beautiful" both in a reasonable and unnatural manner or manipulation (Abernethy et al., 2017). If earnings management activities use an improper method, then the financial statements produced are not real values either with manipulation or by reducing information (Ayers et al., 2009), if investors know this, earnings management activities will actually have a negative impact on firm value (Hanlon & Slemrod, 2007; Yorke et al., 2016; Bazrafshan et al., 2016; Shan, 2015). Several new companies listed on the Stock Exchange conducted earnings management to attract investors in the first (Anagnostopoulou & Tsekrekos, 2015) but these activities continued even though the number of shares had already been owned by the public (Chang & Lin, 2018).

Tax planning is another way to manage to high corporate profits and get the good firm value in the public (Yorke et al., 2016; Pradnyana & Noviani, 2017; Anggoro & Septiani, 2015; Appolos N. et al., 2016; Nugroho & Agustia, 2017), these activities focus on the calculation and the minimization of income tax (Dhaliwal et al., 2004; Illaboya et al., 2016; Ayers, 2009) and included in the companies' financial planning (Ogundajo & Onakoya, 2016). The Government considers tax planning as a fraud, but in reality even though it has the aim to minimize the tax expense, not all actions included in the tax planning is contrary with tax regulation. In the investor's view, tax planning activities are also one of the concerns (Ariff & Hashim, 2014) so as to increase the value of the company (Assidi et al., 2016; Lestari & Wardhani, 2015).

However, with the enactment of expired tax collection in Indonesia for 5 years, companies that do tax planning will not just avoid the tax penalty that will increase the expense of companies and reduce future earnings (Ayers et al., 2009) thus, the firm value will go down in public (Chen et al., 2014).

Basically the activities of earnings management and tax planning affects the company's lack of real financial information received by investors, so that the financial statements produced can not assist investors in predicting future earnings. At this stage, the role of auditors is necessary for investors to get their rights in receiving financial information company (Almutairi et al., 2009). By functioning as a controller, auditor qualified to suppress acts of earnings management by the company (Alhadab & Clacher, 2018; Asthana, 2014; Prawitt et al., 2009; Alzoubi, 2016; Huguet & Gandia, 2016; Rusmin, 2010; Rusmin et al., 2014; Zgarni et al., 2016) are also tax planning actions (Lin et al., 2012) resulting in the quality of financial statements (Alzoubi, 2018) according to regulations (Bepari, 2015) and have a good impact on performance (Hua et al., 2016) and firm value (Afza, 2014; Houmes et al., 2013; Khan et al., 2016),

The use of audit quality as a moderating variable on the effect of earnings management and tax planning to

the firm value is a novelty of this study. Based on the explanation and research gaps were found in some previous studies, this study aims to analyze the influence of Earnings Management and Tax Planning on Firm Value and analyzes the moderation influence of Audit Quality. This study contributes especially to investors to employ qualified auditors in conducting financial statement audit processes, and other contributions also to management to pay attention to each policy taken such as earnings management and tax planning because it can have an impact on the firm value.

## **2. Literature Review and Hypothesis Development**

### **2.1 Literature Review**

#### **2.1.1. Agency Theory and Signaling Theory**

As an agent of principle who has the authority to manage the company, the management has the advantage with respect to the detailed information of the company. In accordance with the expectations of the principle that the company has a good performance in order to increase the size of companies and also the hidden personal goals, management can utilize information for published in the truth or not (Jensen and Mackling, 1976). Some of the measures taken to improve the companies' performance is by earnings management and tax planning, with the aim to give a good signal in the market so the market give a good reaction on the firm value (Ross, 1977).

#### **2.1.2 Firm Value**

The value of the company is result from investor perception of the company which resulted in stock prices in the market. According to the theory of signal that the financial statements is one means of informative that explains the extent to which performance of the company, which the market demand and firms' supply are interact (Keown, 2006). Because of that, the management will try to show great performance in the market so as to get a positive reaction from the market.

#### **2.1.3 Earnings Management**

The market reaction to the company are reflected in the share price fluctuation, is the result of the information published through the company's annual report including financial statements in it (Elnahass, 2018 and Li & Zaiats, 2017; Sun & Rath 2010). To get a firm value gorgeous, the management do a variety of ways with the accurate normally business strategy (Campbell, 2007; Ding et al., 2018; Huang and Li, 2017) and in a way unnormally like doing earnings management ( Di Meo et al., 2017). Earnings management is done by the accrual method of recording and or other strategies to regulate the amount of income and the amount of fees that generate high profits (Scott, 2014: 445; Lin et al, 2016; Wang and Chen, 2012).

#### **2.1.4 Tax Planning**

The tax expense is one of can reduce the companies' profit and dividend for investors. Because of this, the management will do tax planning to minimize the tax expense so that company profits high (Rogers-Glabush, 2015; Alduneibat et al., 2017; Dridi & Boubaker, 2015; Hu et al., 2015; Hanlon & Heitzman 2010 ) and the firm value in the public still good (Lestari & Ward, 2015; Ylonen & Laine, 2015). However, with the enactment of expired tax collection in Indonesia for 5 years, companies in Indonesia must be prepared to encounter of tax audit and short-term tax planning will increase the tax expense from tax penalty received by company. Although tax planning is one of the company's strategy to maximize profits (Budi, 2016: 88), but with the awareness of tax penalties would cause public doubt on the profits produced by the company at this time. This will adversely affect firm value, investors will not want to lose the dividend income because tax penalties arising from tax planning company.

#### **2.1.5 Audit Quality**

The external auditor is an independent party that mediates between principle as recipients of information and agents as a conduite of information through the company's financial statements (Zerni, 2012). Quality audit is audit activity perform its function properly, especially in controlling the activities of the company to comply with the applicable regulations in the preparation of financial statements (Hoag et al., 2017; Tyler, 2014; Sarath, 2016) and other relevant regulation such as tax regulation (Riguen & Jarboui, 2017). Aside from the audit process correctly according to its function, quality audits are also measured use auditor individually like the size of the firm of auditors, auditor specialization and tenure (Meckfessel & Sellers, 2016; Nagy, 2014). Audit quality will be able to restrain earnings management and tax planning activities carried out by the company so as to produce reliable and accurate information that can be used by investors and other stakeholders and this ultimately increases the firm value for the better (Nazir & Afza, 2018; Afza & Nazir, 2014; Putri & Yuyetta, 2013).

## **2.2 Hypothesis Development**

### **2.2.1 Earnings Management influence on Firm Value**

With the purpose of getting a high firm value in the public view based on the objectives of the company, the management did a variety of strategies and discussions are complicated to produce a good performance (Lo, 2017). With earnings management, the company do accrual decision in the accounting procedure both income or expenses in order to profit as reflected in the financial statements looked beautiful (Anagnostopoulou & Tsekrekos, 2015).

Strategies undertaken through earnings management can increase firm value (Marjani AT & Puspitosarie, 2013) because of the financial information produced looked beautiful, even if not always so (Kristanti & Priyadi, 2016; Clout et al., 2016).

But with the earnings management of the company, the information generated becomes not reliable (Ayers et al., 2009) so it can not be used by the public or investors, and it can cause a decline in firm value on the market (Yorke et al., 2016; Bazrafshan, 2016). Then the hypothesis of this study is:

*Hypothesis 1. Earnings Management have a negative influence on Firm Value*

#### 2.2.2 Tax Planning influence on Firm Value

Tax is one expense that could reduce corporate profits and a part measurement of company performance, so the tax planning is done to realize these goals (Ogundajo & Onakoya, 2016). In the short term, tax planning results a high organization performance in the form of reduction of the tax expense and can raise the profit after tax and firm value in the investors' view (Pradnyana & Noviari, 2017; Assidi et al., 2016; Appolos N. et al., 2016; Anggoro & Septiani, 2015; Lestari & Ward, 2015; Ariff & Hashim, 2014).

But the tax planning of the company have a risk for companies such as tax penalties or administrative sanctions in the future due to the income tax calculation errors especially with regard to the regulation of the expired tax collection in Indonesia for 5 years. Awareness of tax penalties in accordance with regulation and the activities of tax planning by the company gives another view of the investors then tax planning undertaken will lower the firm value (Ling & Wahab, 2018; Nugroho & Agustia, 2017; Yorke et al., 2016; Chen et al., 2014; Ayers et al., 2009). Then the hypothesis of this study is:

*Hypothesis 2. Tax Planning have a negative influence on Firm Value*

#### 2.2.3 Audit Quality influence on Firm Value

Audit quality is a situation where the company has been audited by the procedure well and credible independent parties. With audit quality, investors have high confidence to company information, it can increase the value of the company (Alzoubi, 2018; Hua et al., 2016; Alfraih, 2016; Bepari & Mollik, 2015; Afza & Nazir, 2014). Then the hypothesis of this study is:

*Hypothesis 3: Audit Quality have a positive influence on Firm Value*

#### 2.2.4 Audit Quality, Earnings Management and Firm Value

Quality audit especially by independent auditors who make reliable financial reports, because they are free from the interests needed by Management. The characteristics of the audit committee have a positive role on the firm value significantly (Afza and Nazir, 2014). One of the audit functions as a controller, Audit Quality can overcome earnings management actions by companies in manipulating information (Alhadab & Clacher, 2018; Alzoubi, 2018; Muttakin et al., 2017; Alzoubi, 2016; Huguet & Gandia, 2016; Zgarni et al., 2016; Rusmin et al., 2014; Lin et al., 2012; Rusmin, 2010; Prawitt et al., 2009). So the hypothesis of this study is:

*Hipotesis 4. Audit Quality weakens the influence of Earnings Management on Company Values*

#### 2.2.5. Audit Quality, Tax Planning and Firm Value

Profit which is one measurement of the increase firm value will be reduced by the high corporate tax expense, then tax planning is done to minimize it. Utilizing gray areas that are not explained in tax regulations and implementing strategies in selecting companies expenses or revenue that can reduce taxable income is part of tax planning (Budi, 2016: 45; Illaboya et al., 2016), but with the expired period of tax collection for the 5 years, companies must be prepared for tax audits and prepare add of payments for tax penalties and these view can reduce firm value (Wahab & Holland, 2012; Ariff & Hashim, 2014).

Then as a part of that conducts audits about financial statements, auditors have the duty to assist internal auditors and audit process to ensure the company has met the provisions related to calculation, payment and tax reporting (Mulyadi & Anwar, 2015; Lin et al., 2012). On this matter, the hypothesis of this study is as follows:

*Hypothesis 5. Audit Quality weakens the influence of Tax Planning on Corporate Values*

### 3. Methodology

#### 3.1 Population and Sample

Secondary data on financial statements of manufacturing companies in Indonesia from 2013 to 2017 from the Indonesia Stock Exchange were used in this study. With a purposive method, 481 data samples were used with the criteria (1) companies listed on the Indonesia Stock Exchange, (2) companies incorporated in manufacturing groups, (3) companies that had the data needed in this study.

#### 3.2 Research Model

The research model of this study is regression and moderating analysis with the following model:

$$FV_{it} = \beta_0 - \beta_1 EM_{it} - \beta_2 TP_{it} + \beta_3 AQ_{it} + \beta_4 EM_{it} * AQ_{it} + \beta_5 TP_{it} * AQ_{it} + \beta_6 FSIZE_{it} + \beta_7 FAGE_{it} + \beta_8 LEV_{it} + \beta_9 TATO_{it} + \beta_{10} CR_{it} + \varepsilon$$

Where FV is Firm Value that influenced by Earnings Management (EM) and Tax Planning (TP) also moderated by Audit Quality (AQ) and some control variables are Firm Size (FSIZE), Firm Age (FGE), Leverage (LEV), Turn

Over Asset (TATO) and Current Ratio (CR)

**3.3 Variable and Measurement**

Firm Value determined as a firm value in the public, it measured by Tobin's Q like the research of Desai & Dharmapala (2005), Yorke et al. (2016), Appolos N. et al., (2016) with the measurement that Tobins'  $Q = (MV + TL) / TA$ , where MV firm share in the market, TL is book value for total liabilities and TA is book value of asset. Earnings Management is an activity of manage profit with accrual measurement, this study adopted measurement of discretionary accruals by Khotari (2005) used by Murwaningsari et al. (2015) and is a development of Modified Jones (1991) where Discretionary Accrual is result of  $DACit = TACit/TAit-1 - (\alpha1 (1/TA it-1) + \alpha2(\Delta REVit/TA it-1 - \Delta RECit/TAit-1) + \alpha3 (PPEit/TAit-1) + \alpha ROAit$ .

Tax Planning is a ratio from tax expenses and earning before tax also usually called with Earning Tax Ratio (ETR) and ever used by Dhaliwal (2004), Chen et al. (2014), Yorke et al. (2016), Appolo N. et al., (2016), Ariff & Hashim (2014), Assidi et al. (2016), Illaboya (2016), Lestari & Wardhani (2016), Pradnyana & Noviani (2017).

While Audit Quality is defined as a condition where the company has conducted an audit with procedures and an independent party that has good quality. In this study, the quality audit was measured using the latest Proxy Audit Quality (PAQ 8) with 8 dummy measurements which were summed and divided by the total measurements. 8 proxies are developments from previous studies such as 1) Big 4, 2) Co-Statutory Auditor, 3) Audit Opinion, 4) Audit Lag, 5) Audit Specialization, 6) Big 4 & Co Statutory, 7) Audit Tenure, and 8) Experience (Kouba & Jarboul, 2017; Alfraih, 2016; Habib et al., 2014; Houmes et al., 2013; Dao & Pham, 2014).

Some control variables are something that in the previous research was known to have an impact on firm value, namely 1) Firm Size measured by LogAsset, 2) Firm Age is the number of age of the company since its establishment, 3) Leverage measured by DER ratio, 4) TATO measured by dividing number of sales with total assets and 5) Current Ratio which is the result of dividing current assets with current liabilities (Afza & Nazir, 2014; Itan & Lestari, 2015; Ariff & Hashim, 2014; Huguet & Gandia, 2016; Appolos N. et al., 2016; Kristanti & Priyadi, 2016; Assidi et al., 2016; Ling & Wahab, 2018; Asiri & Hameed, 2014).

**4. Result and Discussion**

**4.1 Descriptive Analysis**

Table 1 explains that the minimum firm value is 0.24 while the maximum value is 18.64. With a mean of 1.86 and smaller than the standard deviation value of 2.32, this explains that the mean value cannot be used to represent Firm Value data because the range is very long.

Table 1. Descriptive Statistic

Variables	Mean	Minimum	Maximum	Std Dev.
FV	1,86	0,24	18,64	2,32
EM	-0,10	-430,24	80,43	20,77
TP	0,34	- 7,56	10,17	0,72
AQ	0,35	0,13	0,50	0,09
FSIZE	6,23	1,83	7,99	0,81
FAGE	37,87	3,00	89,00	13,04
LEV	0,14	0,00	2,13	0,19
TATO	1,16	0,04	10,86	0,93
CR	3,24	0,00	247,54	11,51

Note: FV: Firm Value, EM: Earnings Management, TP: Tax Planning, AQ: Audit Quality, FSIZE: Firm Size, FAGE: Firm Age, LEV: Leverage, TATTOOS: Sales to Assets Ratio, CR: Current Ratio

The minimum value of Earnings Management in table 1 is -430.24 while the maximum value is 80.43. The mean value of -0.10 smaller than the value of a standard deviation of 20.77 explains that the mean value can not be used to represent data Earnings Management. While the minimum value of Tax Planning in Table 1 was -7.56 and the maximum value is 10.17. With a mean value of 0.34 which is smaller than the standard deviation is 0.72 to explain that the average value can not be used to represent data Tax Planning.

Audit quality has a minimum value of 0.13 and a maximum of 0.50 while the mean value was 0.35 and 0.09 standard deviations which explains that the average quality of auditing in Indonesia has been quite good. FSize with a minimum value of 1.83 and 7.99 is maximum value, the mean value of 6.33 which is larger than the standard deviation of 0.81 explained that there are various size manufacturing companies in Indonesia although the average is in the range number assets are quite high.

Table 1 also describes the minimum age of the Company listed on the Indonesia Stock Exchange amounted to 3 and a maximum of 89, with a mean of 37.87 and a standard deviation of 13.04 explains that the companies listed in Indonesia Stock Exchange has long operated and things it proves that the company is strong enough in the experience of doing business so that it can run with a long enough time.

The minimum value for Leverage is 0.00 and the maximum was 2.13 while the mean value was 0.14 less than

the standard deviation value of 0.19 to explain that the average value of leverage can not present the Leverage data. Additional data is the minimum value for TATO of 0.04, maximum 10.86 and the mean is 1.16 bigger than standard deviation value of 0.93 that the level of sales of manufacturing companies in Indonesia is quite high compared to the amount of assets owned.

Further data contained in table 1 is the minimum value for the current ratio is 0.00 while the maximum value is 247.54 and a mean value of 3.24 was smaller than the value of a standard deviation of 11.51 explains that the average current ratio can not be explained by the mean value because the range is so long.

#### 4.2 Hypothesis Result

With the Jarque-Bera 9341.17 values in Table 2 illustrates that the data are normally distributed because it exceeds the value of 3 and a coefficient of determination described by Adjust R<sup>2</sup> value of 0.47, which means Firm Value as the dependent variable explained by all the independent variables is 47% and the remaining 53% is explained by other variables that are not described in this study. While testing the feasibility of the model can be seen in the value of probability (F-Statistics) of 0.00, which means the research model is fit.

According to the table 2 that EM coefficient value is 0.16 and P-Value is 0.01 explaining that Earnings Management have a significantly positive effect on Firm Value. Although the level of significance of less than 0.05 but due to the direction is positive so hypothesis 1 is rejected.

While the value for Tax Planning coefficient is 0.33 with P-Value 0.73 explain that Tax Planning have a positive effect on Firm Value insignificantly, these results explain that the second hypothesis is rejected.

In Table 2 also known Coefficient for AQ value is 7.63 and P-Value is 0.00 that mean Audit Quality have a positive influence on Firm Value significantly, that is mean third hypothesis accepted.

The test results Moderation Management Audit Quality on Earnings can be seen the results Coefficient Management Earnings before moderated by the Audit Quality of 0.16 and after being moderated by the Audit Quality Coefficient value be -0.42, while the value of the 0.01 < 0.05 explain the influence of moderating significant. This value is explained that the Audit Quality weaken the influence of Earnings Management on Firm Value and hypothesis 4 is accepted.

While the results of the Audit Quality moderation test on Tax Planning can be seen in the result of Coefficient Tax Planning before moderated by the Audit Quality is 0.32 and after moderated by Audit Quality the Coefficient value becomes -2.15, while the significance value of 0.532 > 0.05 explains the moderating effect not significant. This value explains that Audit Quality weakens the influence of Tax Planning on Firm Value and based on the significance value explains that hypothesis 5 is rejected.

In the control variable that FSize with a coefficient of 0.57 and significance of 0.00 explains that Firm Size significantly has a positive effect on Firm Value, as well as Firm Age with a coefficient of 0.05 and significance of 0.00 explains that Firm Age has a positive influence significantly on Firm Value. The TATO coefficient value is 2.52 and the significant of 0.00 explains that TATO also has a significant positive influence on Firm Value. Whereas the coefficient value of 0.33 and significance of 0.65 explains that Leverage is not significantly influence on firm value. Likewise with a coefficient of 0.00 and a sig of 0.58 explained that the Current Ratio also does not have a significant positive influence on Firm Value.

Table 2. The Influence of Earnings Management and Tax Planning on Firm Value with Audit Quality as Moderating Variable

$$FV_{it} = B_0 - \beta_1 EM_{it} - \beta_2 TP_{it} + \beta_3 AQ_{it} + \beta_4 EM_{it} * AQ_{it} + \beta_5 TP_{it} * AQ_{it} + \beta_6 FSIZE_{it} + \beta_7 FAGE_{it} + \beta_8 LEV_{it} + \beta_9 TATO_{it} + \beta_{10} CR_{it} + \varepsilon$$

variables	Prediction	coefficients	t-statistics	P-Value
C		-8.81	-7.78	0,00
EM	-	0.16	2.50	0.01 **
TP	-	0.32	0.34	0.73
AQ	+	7.63	3.98	0,00 ***
EM * AQ	-	-0.42	-2.50	0.01 **
TP * AQ	-	-2.15	-0.61	0.54
FSIZE	+	0.58	3.59	0,00 ***
FAGE	+	0.05	4.50	0,00 ***
LEV	+	0.33	0.46	0.65
TATO	+	2.52	17.69	0,00 ***
CR	+	0.01	0.56	0.58
R <sup>2</sup>		0.48		
Adj. R <sup>2</sup>		0.47		
F-Statistic		42.83		
Prob (F-Statistics)		0,00		***
Jarque-Bera		9341.17		
Durbin Watson		0.50		
Observation		481		

\*\*\* Significant at the 1% level, \*\* Significant at 5% level, \* Significant at 10% level

Note: FV: Firm Value, EM: Earnings Management, TP: Tax Planning, AQ: Audit Quality, FIZE: Firm Size, FAGE: Firm Age, LEV: Leverage, TATO: Sales to Assets Ratio, CR: Current Ratio

### 4.3 Discussion

Results Hypothesis 1 explained that Earnings Management has a positive influence on Firm Value significantly, these results are consistent with research Yorke et al. (2016) and Bazrafshan (2016) although these results contrary with AT & Puspitosarie (2013). With these results explain that the earnings management activities actually give investors view in assessing the company is better and the reaction indicates that investors think short in response to the company's financial information.

Based on the results of the hypothesis 2 explained that Tax Planning has the positive influence on Firm Value insignificantly, these results are not in line with the study of Chen et al. (2014), Yorke et al. (2016), Ayers et al. (2009) Ling & Wahab (2018) and Nugroho & Agustia, 2017 but in line with research Pradnyana & Noviyari (2017), Anggoro & Septiani (2015), Appolos N. et al. (2016), Ariff & Hashim (2014), Assidi et al. (2016), and the Lestari & Wardhani (2015) which Tax Planning has a positive influence on the Firm Value. These results explain that investors in Indonesia regard the taxation information in Indonesia where a fairly high tax expense affecting corporate profits and the dividend for investors.

Audit Quality has positive influence on Firm Value based on the results of hypothesis 3, these results confirm the research Afza & Nazir (2014), Alfraih (2016), Hua et al. (2016), Alzoubi (2018) and Bepari & Mollik (2015). With the result that investors have confidence in the information companies audited by a qualified auditor.

On the results of hypothesis 4 describes Audit Quality weaken the influence of Earnings Management on Firm Value significantly, these results are consistent with research Prawitt et al. (2009), Lin et al. (2012), Alhadab & Clacher (2018), Alzoubi (2016), Alzoubi (2018), Huguet & Gandia (2016), Muttakin et al. (2017), Rusmin (2010), Rusmin et al. (2014) and Zgarni et al., 2016. With these results that the audit quality and credible independent auditor then earnings management activity in the company can be suppressed.

While the results of hypothesis 5 explained that audit quality is not significantly weaken the influence of Tax Planning on Firm Value. These result is consistent with research Lin et al. (2012), Mulyadi and Anwar (2015) though not significantly. With the results of that audit quality can performs its function as a controller for the company in carrying out its activities in line with regulation that do not have tax penalties in the future.

Some of the control variable positive and significant influence on the Firm Value as Firm Size, Firm Age and TATO. These results are consistent with research Kristanti & Priyadi (2016), Appolos N. et al. (2016) and Assidi et al. (2016), which resulted in that the Firm Size, Firm Age and TATO effect on Firm Value, while the other control variables such as Leverage and the Current Ration no significant influence and the results are contrary with the results of Asiri and Hameed (2014) and Yorke et al. (2016).

## 5. Conclusions, Limitations and Suggestions

### 5.1. Conclusions

Based on the discussion of the results of hypothesis test that Earnings Management has a positive influence on firm value, where the company's activities in optimizing profits get a investors' good response investors. Likewise with tax planning based on the results of hypothesis test to get results that tax planning has a positive influence on firm value. Investor awareness of tax regulation and penalties affects the view on the company's tax planning.

Audit quality has a positive influence on firm value, where investors have a high level of trust in company information that is carried out by qualified auditor independent. Audit quality also weakens the effect of earnings management on firm value, where credible auditors in their duties can suppress earnings management activities.

In its influence on Tax Planning, audit quality also weaken the influence of tax planning on firm value. Where in carrying out its functions, quality auditors can alert the company in connection with tax planning activities that will increase expense on the tax penalty later in the day and can be detrimental to investors.

### 5.2. Limitations and Suggestions

Total observation period is only 5 years so it is not too strong to generalize the results, it would be better if the observations were made longer so that the result will be more robust in confirming the theory and previous research.

Besides the measurement of variables in this study has not been updated with measurements analyzed by the latest research, then in future studies would be better if you use the latest measurements in variable rate so that the result will be updated according to the latest theory and analysis.

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